

Results of the Lewin Report on Appropriate Surplus Accumulation in the Rhode Island Health Insurance Market

Based on Year-Ending 2005 Financial Results

(\$000 omitted)

Revenue: \$1,586,311

Blue Cross & Blue Shield		
SAPOR		Surplus
40%		634,524
39%		618,661
38%		602,798
37%		586,935
36%		571,072
35%		555,209
34%		539,346
33%		523,483
32%		507,620
31%		491,756
30%		475,893
29%		460,030
28%		444,167
27%		428,304
26%		412,441
25%		396,578
24%		380,715
23%		364,852
22%		348,988
21%	315,902	333,125
20%		317,262
19%		301,399
18%		285,536
17%		269,673
16%		253,810
15%		237,947
14%		222,084
13%		206,220
12%	375% RBC	190,357
11%		174,494
10%		158,631
9%		142,768
8%		126,905
7%		111,042
6%	200% CAL	95,179
5%	150% RAL	79,316
4%		63,452
3%	100% ACL	47,589
2%	70% MCL	31,726
1%		15,863

Revenue: \$345,030

United Healthcare of N.E.		
SAPOR		Surplus
40%		138,012
39%		134,562
38%		131,111
37%		127,661
36%		124,211
35%		120,761
34%		117,310
33%		113,860
32%		110,410
31%		106,959
30%		103,509
29%		100,059
28%		96,608
27%		93,158
26%	91,186	89,708
25%		86,258
24%		82,807
23%		79,357
22%		75,907
21%		72,456
20%		69,006
19%		65,556
18%		62,105
17%		58,655
16%		55,205
15%		51,755
14%		48,304
13%		44,854
12%		41,404
11%		37,953
10%	275% RBC	34,503
9%		31,053
8%		27,602
7%	200% CAL	24,152
6%		20,702
5%	150% RAL	17,252
4%	100% ACL	13,801
3%	70% MCL	10,351
2%		6,901
1%		3,450

Revenue: \$170,305

Neighborhood Health Plan		
SAPOR		Surplus
40%		68,122
39%		66,419
38%		64,716
37%		63,013
36%		61,310
35%		59,607
34%		57,904
33%		56,201
32%		54,498
31%		52,795
30%		51,092
29%		49,388
28%		47,685
27%		45,982
26%		44,279
25%		42,576
24%		40,873
23%		39,170
22%		37,467
21%		35,764
20%		34,061
19%		32,358
18%		30,655
17%		28,952
16%		27,249
15%		25,546
14%		23,843
13%		22,140
12%	20,324	20,437
11%		18,734
10%		17,031
9%		15,327
8%		13,624
7%	200% CAL	11,921
6%		10,218
5%	150% RAL	8,515
4%	100% ACL	6,812
3%	70% MCL	5,109
2%		3,406
1%		1,703

█ = Appropriate Surplus Range per Lewin Report

██ = Appropriate Surplus Range developed by Lewin for the Rhode Island Health Insurance Company ("RIHIC") - a hypothetical company with some UHCNE characteristics but operating on a stand alone basis.

█ = Actual Surplus @ 12/31/05

█ = Other Early Warning Benchmarks (BCBSA & UHC Guaranty)

█ = NAIC RBC Triggers (CAL = Company Action Level; RAL = Regulatory Action Level; ACL = Authorized Control Level; MCL = Mandatory Control Level)

█ = Adequate Surplus Levels as determined by each Health Plan.

**Summary of the Results of the Lewin Report on Appropriate Surplus Accumulation
in the Rhode Island Health Insurance Market:**

The purpose of the Lewin Report is to determine an Appropriate Surplus Range for each health insurer domiciled in Rhode Island. The surplus measure determined to be most appropriate for this study was Surplus as a Percentage of Revenue ("SAPOR"). The Revenue used to calculate SAPOR is Total Revenue less Reinsurance Ceded. In addition, revenue from Alternative Financial Arrangements (self insured business) is not considered in the calculation since presumably there is little or no risk associated with this business to the health plan.

Risk Based Capital ("RBC") was considered and used in Lewin's model, however, it was not determined to be the best surplus measure since the RBC formula is designed to measure "minimum" surplus levels and not appropriate surplus ranges. The RBC formula begins to lose its integrity as the RBC ratio increases. RBC triggers company and regulatory action at various levels as displayed in the attached chart.

For UHCNE an appropriate surplus range was not determinable by the Lewin Group, as it would have required an analysis of UHCNE's entire corporate structure. This type of analysis was beyond the scope of this study. To gain a better sense of what the appropriate surplus levels would be for a company operating in Rhode Island with similar risk characteristics as UHCNE's, the Lewin Group was asked to create a hypothetical for-profit company using those characteristics. The Lewin Group urges that a straightforward application of the results of the hypothetical company (RIHIC) to UHCNE's results should not be made, as there is no direct correlation between the two companies. The Chart does display an application of the RIHIC results to UHCNE's underwriting results for **Illustration Purposes Only**.

Following is a summary of the results of the Lewin Report, each health insurer's opinion regarding the appropriate surplus level of their own entity, and other regulatory triggers sensitive to surplus levels:

Blue Cross & Blue Shield of Rhode Island:

Lewin Results:	SAPOR	23% - 31%
	Surplus	\$364.9 – \$491.8 million
BCBS Opinion:	SAPOR	25% - 35%
	Surplus	\$396.6 – \$555.2 million
Actual Results 2005:	SAPOR	20%
	Surplus	\$315.9 million
Other Triggers:		
BCBSA	RBC	375%
	SAPOR	12%

	Surplus	\$190.4 million
NAIC RBC:	SAPOR	6%
	RBC	200% - Company Action Level
	Surplus	\$95.2 million

United Healthcare of New England:

Lewin Results:	SAPOR	Not Determinable
	Surplus	Not Determinable
RIHIC Results:	SAPOR	23% - 28%
	Surplus	\$79.4 - \$96.6 million (Based on UHCNE Revenue)
UHCNE Opinion:	RBC	275% - Parental Guaranty
	SAPOR	10%
	Surplus	\$35.5 million
Actual Results 2005:	SAPOR	26%
	Surplus	\$91.2 million
Other Triggers:		
NAIC RBC:	SAPOR	7%
	RBC	200% - Company Action Level
	Surplus	\$24.2 million

Neighborhood Health Plan of Rhode Island:

Lewin Results:	SAPOR	20% - 35%
	Surplus	\$34.1 - \$42.6 million
NHPRI Opinion:	RBC	100% - 200%
	SAPOR	4% - 7%
	Surplus	\$6.8 - \$11.9 million
Actual Results 2005:	SAPOR	12%
	Surplus	\$20.3 million
Other Triggers:		
NAIC RBC:	SAPOR	7%
	RBC	200% - Company Action Level
	Surplus	\$11.9 million